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C O N F I D E N T I A L SECTION 01 OF 04 ASTANA 000982

SIPDIS

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TAGS: PREL, ECON, EPET, AF, GG, RS, IR, KN, ZK, KZ

SUBJECT: KAZAKHSTAN: CHINESE AMBASSADOR COMMENTS ON KEY FOREIGN  
POLICY ISSUES

REF: ASTANA 0678

Classified By: Ambassador Richard E. Hoagland, 1.4 (b), (d)

1. (SBU) SUMMARY: On June 5, Chinese Ambassador Cheng Guoping hosted the Ambassador for dinner at the restaurant on the 23rd floor of a striking new hotel built in Astana and owned by the Chinese National Petroleum Company. During a fascinating, wide-ranging, three-hour tour d'horizon, the Chinese Ambassador discussed his government's policy -- and occasionally made personal comments -- on human rights, smart power, President Obama, Afghanistan's reconstruction, Russia's policy in Central Asia, Georgian President Saakashvili, Iran's upcoming presidential elections, North Korea's nuclear tests, Central Asia's energy resources, the Manas air base, and the proposed international nuclear fuel bank. The Chinese Ambassador clearly enjoyed the free and easy, open-ended conversation and invited the Ambassador to meet again, at the restaurant, in the near future. Guoping was joined by an unidentified policy advisor and an interpreter, to whom he addressed his remarks in soft whispers throughout the evening. END SUMMARY.

#### CHINA'S MFA "SCARED" BY PELOSI'S VISIT

2. (SBU) Guoping was relaxed, wearing short sleeves and no jacket, and clearly eager to engage and entertain his American guests. He began the evening by referring to the recent visit to Beijing of House Speaker Nancy Pelosi. Without openly acknowledging or discussing the twentieth anniversary of the June 4, 1989, Tiananmen Square protests, Guoping said the government was prepared, and also fearful, for the Speaker to raise human rights and democracy issues during her visit. "She had the Ministry of Foreign Affairs (MFA) scared to death on the eve of her visit," Guoping said, half-jokingly.

#### PRAISE FOR SMART POWER

3. (SBU) Without prompting, Guoping praised President Obama's leadership style and approach to foreign affairs. He singled out the President's "effective management" of the financial crisis, for example, calling his decisions to stimulate the U.S. economy "bold and courageous." He called the President's June 4 speech in Cairo - which Guoping was able to download in Mandarin from the Department's website - "a milestone for the use of smart power." Guoping said the President's willingness to employ both military and cultural assets would prove to be a "very effective" approach to foreign affairs. He observed that statesmen require both in order to achieve their policy objectives and said the Administration's use of "smart power is a very good idea."

#### IRANIAN ELECTIONS

4. (SBU) Guoping perceptively connected the Cairo speech to upcoming elections in Iran. "This speech is very timely," he said. "I

predict that it will influence Iran's presidential elections, and will be particularly beneficial for reformers in Iran." He said that President Obama has already played a positive role in rebuilding U.S. relations with Iran and again stressed the importance of the upcoming elections. "The reformists have a chance," he said. Guoping suggested that it would be impossible for Iran to ignore President Obama's overtures for long. "They cannot remain in the background of these global changes in foreign policy. If they do, they will become even more isolated than they already are. And ultimately, if Iran doesn't respond, President Obama will have to change his policy. Iran might be the last country standing for extremism in the Muslim world," he said.

## FOCUS ON THE TALIBAN

5. (SBU) About Afghanistan, Guoping said the Taliban is the real enemy of the United States and the "basis for terrorism in South Asia." He argued that the United States must first "eradicate the Taliban in order to defeat terror in Iraq" and said the Administration's emphasis on Afghanistan was a shrewd policy. "You have enlisted the help of all governments in the region to assist

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with the rebuilding of Afghanistan, saying that to do so is to play a part in the war against terrorism. No one is able to say openly that they do not want to combat terrorism, so you have made it very difficult to refuse to help."

## NORTHERN DISTRIBUTION NETWORK

6. (C) In particular, Guoping said that the Northern Distribution Network to transport non-lethal supplies to U.S. troops in Afghanistan has enabled many countries to participate in Afghanistan's reconstruction. He said that the Chinese government is aware of the U.S. government's request to transit non-lethal supplies via China and said "we are actively researching this suggestion. In essence, it would mean that the People's Republic of China would be supporting a NATO military operation, which would be an interesting development." Guoping confided that China's MFA and its Ministry of Defense have different opinions on the subject, although he said he expected a decision soon. "My own personal opinion," he said, "is that we will do the right thing and cooperate with NATO and the U.S. government in Afghanistan." Guoping said this would be an appropriate issue to raise in the context of the President's visit to Beijing in July.

## RUSSIA'S POLICY IN CENTRAL ASIA

7. (C) Guoping said that Russia is experiencing "severe difficulty" now because of the global financial crisis. He suggested that the government of Russia is eager to improve relations with the United States now because Moscow is concerned that the economic downturn will begin to affect the political stability of the country, "even the stability of the Kremlin." Guoping said that Russia does not want or need any foreign policy problems right now; "they need to focus on their domestic, economic affairs." Guoping also said that Russia would like more support from the United States for its insistence on a privileged sphere of influence in Central Asia, in exchange for greater cooperation in Afghanistan. "Russia is convinced that they must dominate Central Asia and the Caucasus. They believe they have vital, strategic, historical interests in the region," Guoping said. When pressed by the Ambassador to express his own opinion, Guoping said, "I personally do not agree that Russia should be granted a special sphere of influence in the region, but that is their view."

#### ON GEORGIA

8. (C) On Georgia, Guoping said he expects Russia to use military force to overthrow Georgian President Saakashvili. He did not elaborate or offer any specifics, but merely observed that Russia has already established military bases in Abkhazia and South Ossetia and is likely to remain there for the foreseeable future. Guoping worked in Georgia for four years and understands well the history and culture of its people. He observed that South Ossetia has strong cultural ties to Russia, but said it is likely that the Ossetians will ultimately press for greater independence from Russian influence.

9. (C) In unusually blunt language, Guoping said Saakashvili is "not a mature statesman. He overreacted to Russian provocations and gave Russia the opportunity to take Abkhazia and South Ossetia." Guoping suggested that Secretary Rice's July 2008 visit to Georgia before the war in August 2008, might have indirectly encouraged Saakashvili to take military action. He said his understanding was that Saakashvili briefed Secretary Rice on his plans to mobilize Georgian armed forces and when she did not directly object, Saakashvili mistook that as a sign of U.S. support. Guoping said, "Clearly, Russia baited and cheated Georgia. But Saakashvili was impressed with his earlier success in Batumi (Adjara) and he thought he could involve the United States in the war." Guoping said he expects former Parliament Speaker Nino Burjanadze to become Georgia's next president. "She is much more mature than Saakashvili. He won't stay long," he said.

#### NORTH KOREA'S NUCLEAR TESTS, DOMESTIC POLITICS

10. (C) Guoping seemed genuinely concerned by North Korea's recent

nuclear missile tests. "We need to solve this problem. It is very troublesome," he said, calling Korea's nuclear activity a "threat to the whole world's security." China opposes North Korea's nuclear testing and is working to achieve peace and stability on the Korean peninsula, according to Guoping. When asked about the reunification of Korea, Guoping said China hopes for peaceful reunification in the long-term, but he expects the two countries to remain separate in the short-term. Guoping said the domestic political situation in North Korea is "very complex" and suggested that Kim Jong-il's reported decision to anoint his youngest son as his successor was driven more by Kim's deteriorating health than any carefully planned strategy. "They had no time to plan for this," he said. Guoping said the "military really governs" North Korea and controls domestic politics and foreign policy. He suggested that Kim Jong-il's announcement was designed to send a message to the military and the great powers that he is really in charge and in control. Guoping said China's objectives in North Korea were to ensure they honor their commitments on nonproliferation, maintain stability, and "don't drive [Kim Jong-il] mad."

#### CENTRAL ASIAN ENERGY

11. (SBU) Turning to a discussion of energy resources and energy security in Central Asia, Guoping said that Russia owns and controls most of Central Asia's pipelines, "but it cannot prevent the ultimate diversification of export routes." He said that Kazakhstan, Uzbekistan, and Turkmenistan are close to Russia, but they nevertheless understand that they must seek and develop alternatives. He predicted that they will soon "break the Russian monopoly" on the export of hydrocarbons from the region and said the oil and gas pipelines to China now under construction will be "very important" in that regard. Guoping said that Kazakhstan's oil pipeline from Atasu to Alashankou would be completed in July and will initially carry 200,000 barrels per day (bbl/d), but will soon be expanded to 400,000 bbl/d. He said China would encourage Western oil companies to ship their production eastward. He was aware of plans to ship Kazakhstani oil across the Caspian Sea by tanker and said China had no objections to the project, which they considered "strictly commercial." When asked about China's recent \$10 billion loan to Kazakhstan, Guoping confirmed that \$5 billion was earmarked for investments in the energy sector, including the purchase of 50% of MangistauMunaiGas, while the remaining \$5 billion would be delivered to the Development Bank of Kazakhstan as a "soft loan that the government would be free to use as it likes."

#### POTENTIAL PARTNERSHIP WITH U.S. OIL COMPANIES

12. (SBU) Guoping said China sees "great potential for an energy partnership with U.S. companies in Central Asia," including the development of onshore resources in Turkmenistan. He said that the Chinese MFA is very interested in pursuing these opportunities and suggested that this would be worth including in the China-U.S. Strategic Economic Dialogue. "This is very reasonable," he said, adding, "Our government would actively support such a proposal." The Ambassador noted that Chevron is already working with Chinese companies in western China.

#### ON NAZARBAYEV

13. (SBU) Commenting on President Nazarbayev, Guoping called him a "wise and mature statesman," who has presided over a period of remarkable stability and economic growth. He praised President Nazarbayev's foreign policy skills and added that China's MFA has "great respect" for President Nazarbayev and holds him in high regard.

#### MANAS AIR BASE

14. (C) Referring to the Manas air base, Guoping said that the government of Kyrgyzstan has tried to show similar sophistication in balancing the interests of the great powers in the neighborhood, but has been much less successful. He said that according to his information, the United States is prepared to pay an additional \$50 million a year to the government of Kyrgyzstan "to make them think

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about" keeping the base open. He said he has seen a subtle shift in U.S. policy in the region, adding, "You've also made important progress in Uzbekistan. We ourselves have noticed a change in Uzbekistan's foreign policy over the last year, especially toward Russia."

#### NUCLEAR FUEL BANK

15. (C) Guoping did not appear to be well briefed on the subject of the IAEA-administered international nuclear fuel bank proposed by the Nuclear Threat Initiative. He was aware of Russia's earlier proposal to host a fuel bank, but he seemed surprised when told that Kazakhstan has announced its intention to host an IAEA-administered fuel bank on its territory. Indeed, he went so far as to question the accuracy of the Ambassador's information that Iranian President Ahmadinejad supported Kazakhstan's proposal during his state visit to Astana in April. "We are still conducting research on this idea," Guoping said, subtly indicating his unwillingness - or inability - to discuss the subject further.

16. (C) COMMENT: In the past six months, the Ambassador and Guoping have established a relaxed, open, and even frank relationship. Guoping prefers to meet the Ambassador in the U.S. Embassy or in a public place, having explained previously that he believes his own Embassy's temporary quarters are thoroughly bugged -- by whom, he doesn't say. CNPC built the high-rise, pagoda-roofed Beijing hotel as a gift to Astana. The marble lobby is impressive, if a bit too totalitarian-austere. The hotel was supposed to have opened in January, and we are not convinced that it is now fully open for business. We were the only guests in the restaurant, although an untouched full buffet was laid out. The revolving restaurant provides a spectacular panorama of Astana, and the empty steppe beyond, but it seems to revolve at varying speeds and sometimes can be a bit too fast on a full stomach and after a few glasses of wine. END COMMENT.

HOAGLAND